



May 13, 2002

**VIA ELECTRONIC FILING**

Ms. Marlene H. Dortch  
Acting Secretary  
Federal Communications Commission  
445 Twelfth Street, S.W.  
Washington, D.C. 20554

**Re: In the Matter of Federal-State Joint Board on Universal Service; CC Docket  
Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, 98-170 and NSD File No. L-00-72**

Dear Ms. Dortch:

Attached are reply comments of the Association for Local Telecommunications Services ("ALTS") for filing in the above-captioned proceeding.

Sincerely,

/s/

Teresa K. Gaugler

**Before the  
Federal Communications Commission  
Washington, D.C. 20554**

In the Matter of	)	
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
	)	
	)	
1998 Biennial Regulatory Review – Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Service, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms	)	CC Docket No. 98-171
	)	
	)	
Telecommunications Services for Individuals with Hearing and Speech Disabilities, and the Americans with Disabilities Act of 1990	)	CC Docket No. 90-571
	)	
	)	
Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size	)	CC Docket No. 92-237 NSD File No. L-00-72
	)	
	)	
Number Resource Optimization	)	CC Docket No. 99-200
	)	
Telephone Number Portability	)	CC Docket No. 95-116
	)	
Truth-in-Billing and Billing Format	)	CC Docket No. 98-170
	)	

**REPLY COMMENTS OF THE  
ASSOCIATION FOR LOCAL TELECOMMUNICATIONS SERVICES**

The Association for Local Telecommunications Services (“ALTS”) hereby files its reply comments in the above-referenced proceeding in response to the Commission’s Further Notice of Proposed Rulemaking regarding contribution assessments for the interstate universal service

fund (“USF”).<sup>1</sup> The Commission seeks comment on proposals to overhaul the current revenue-based contribution system to one where contributions would be based on the total number and capacity of connections a carrier provides to its customers. ALTS urges the Commission not to adopt the proposed connection-based assessment plan because none of the concerns with the current system justify such a drastic overhaul.

The Commission’s stated primary goal is to “ensure the stability and sufficiency of the universal service fund as the marketplace continues to evolve.”<sup>2</sup> However, none of the concerns with the current system that are raised in the FNPRM inherently undermine the future stability or sufficiency of contributions via the current system. For example, the Commission suggests that IXCs with declining interstate revenues may be disadvantaged by the current system, which bases assessment on historical revenues six months prior.<sup>3</sup> However, the decline in IXC revenues does not automatically undermine the sustainability of the current system, and while the concerns raised by the Commission may be valid, they can just as easily be remedied by moderately reforming the current system. There is no need for the Commission to impose new rules and administrative burdens on all carriers when such moderate reforms would be sufficient.<sup>4</sup> Furthermore, the Commission cannot address the IXCs’ concerns with assessments based on declining revenues by exempting them altogether from contributing based on those revenues. ALTS agrees with Verizon that this “is a strange ‘solution’ to address the problem of

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<sup>1</sup> *Notice of Proposed Rulemaking*, In the Matter of Federal-State Joint Board on Universal Service; CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, 98-170 and NSD File No. L-00-72, FCC 02-43 (rel. February 26, 2002) (“FNPRM”).

<sup>2</sup> *Id.* ¶ 15.

<sup>3</sup> *Id.* ¶ 10.

<sup>4</sup> See NECA Comments at 3-5.

an allegedly shrinking interstate pie by eliminating large slices of the pie.”<sup>5</sup>

The connection-based assessment plan proposed by the USF Coalition is clearly self-serving as it shifts the primary responsibility for funding USF onto LECs and wireless carriers while relieving the IXC of the majority of their contributions. Under the proposal, IXCs that are now responsible for 63 percent of the contributions would only be responsible for 25 percent, whereas LECs currently responsible for 23 percent of the contributions would now be responsible for 52 percent.<sup>6</sup> The Commission claims that it seeks to find the “best means of ensuring that contributors continue to be assessed in an equitable and nondiscriminatory manner.”<sup>7</sup> ALTS is shocked that the Commission can suggest that such a dramatic shift in responsibility for contributions would ensure equitable and nondiscriminatory assessment on carriers. On the contrary, the Commission cannot possibly justify such a shift under the principles of equity, especially when IXCs are providers of the majority of interstate services—all the more reason they should continue to contribute the majority of the fund. It is not adequate that the Commission explains that the IXCs will contribute based on their own provision of local or special access services. To remain equitable and nondiscriminatory, the assessment system must not allow them to shirk their duty to contribute based on their provision of interstate long distance services.<sup>8</sup>

ALTS proposes that the Commission modify the current system to specifically address the concerns outlined in the FNPRM. For example, the Commission should revise the reporting

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<sup>5</sup> Verizon Comments at 7.

<sup>6</sup> See NTCA Comments at 3; FNPRM ¶ 59.

<sup>7</sup> FNPRM ¶ 15.

<sup>8</sup> See NTCA Comments at 2-3.

requirements to allow carriers to contribute based on revenues as close to current as possible, rather than the six-month historical system currently in place. In some states carriers are required to report their revenue for the previous month by a date certain in the following month.<sup>9</sup>

The Commission could adopt a similar approach to administering the federal USF system, thereby assessing carriers on their current revenue and eliminating the concern that those carriers may have difficulty recovering the contribution from a smaller future customer base. Moreover, the Commission should adopt a collect and remit policy so that carriers need only remit based on revenues and contributions that they actually receive. This would reduce uncertainty regarding carriers' abilities to collect USF contributions from customers. The Commission also indicates that new product bundles by wireless carriers may have led to those carriers' current contributions being less than they should based on their actual interstate revenues, thus the Commission may also revisit the safe harbor granted to wireless providers if it believes those carriers are not currently contributing equitably.

The IXC's have also indicated concern that their contribution percentage levels continue to rise. ALTS urges the Commission to closely monitor the services entitled to universal service funding to ensure that the overall size of the fund does not continue to increase because ALTS believes this will go a long way to maintaining reasonable contribution levels for all carriers. However, the IXC's appear concerned that their contribution levels continue to increase as their interstate revenues decline. Rather than overhauling the entire system to address this concern, ALTS proposes that the Commission modify the current system by capping the current contribution factor and adding a per-connection charge to recoup any shortfall in recovering the

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<sup>9</sup> See Western Wireless Comments at 4.

total funds needed. Under this plan, the contribution factor would be capped at a fixed percentage: the lower of either the contributor's percentage assessment during the last year of the current plan or an equitable percentage established by the Commission. To the extent that such contributions fail to recover the total projected USF needs, the difference would be recovered via connections-based contributions. Thus the connection-based component of the plan would increase as interstate revenues drop and/or the total USF needs increase.

If the Commission does decide to adopt a connection-based fee system, ALTS urges it not to adopt the USF Coalition proposal presented in the FNPRM. As indicated above, the proposal allows the IXC's, the largest providers of interstate services, to avoid contributing to the fund based on those interstate revenues. The Commission highlights that that the ultimate payers of the USF contributions are consumers, not carriers; however, the requirements of Section 254 apply to carriers, not consumers. Thus, the Commission must adopt a system that is nondiscriminatory and equitable to all carriers, regardless of whether a change in the assessment mechanism would have minimal impact on consumers.<sup>10</sup> At the very least under a connections-based plan, the Commission should require IXC's to contribute based on their number of presubscribed lines, rather than dramatically shifting the burden to the LEC's and wireless carriers. Long distance services provide the largest portion of interstate services; therefore, the IXC's should not be allowed to avoid contributing based on their interstate long distance services.

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<sup>10</sup> Furthermore, this premise is highly questionable, as many commenters note, because low-volume consumers will be detrimentally affected by the change in assessments. The Commission observes that the average residential consumer will continue to pay approximately the same amount under either plan, which is inconsequential. First, this fact is intuitively true since the USF coalition proposal is intended to recover the same total level of funds from the same base of customers; therefore, mathematically the average under either plan should be approximately the same. Second, and more importantly, this observation it does not account for the many customers on the lower end of that scale who have historically paid small or no USF contribution because of their low volume of interstate long distance calls, but who would now have to pay \$1.00 even if they continued to make no calls.

**CONCLUSION**

For the foregoing reasons, ALTS opposes the Commission adopting the USF Coalition's proposal to institute a connections-based assessment rather than the current revenue-based system. ALTS urges the Commission to consider other proposals to moderately reform the current system to address specific concerns with it.

Respectfully Submitted,

**Association for Local  
Telecommunications Services**

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